

Message Text

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PAGE 01 BLANTY 01030 261352Z

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SUBJ: MALAWI INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. STATEMENT ON INVESTMENT CLIMATE:

THROUGH AN EXTENSIVE SYSTEM OF INDUSTRIAL AND TRADING LICENSES, THE GOVERNMENT OF MALAWI ENFORCES ITS STATED POLICY THAT NEW BUSINESS MUST CONTRIBUTE TO THE PROGRESS AND WELL-BEING OF THE COMMON MAN THROUGH PROVISION OF GOODS AND SERVICES OF HIGH QUALITY AT COMPETITIVE PRICES. THE GOVERNMENT RESERVES THE RIGHT TO JUDGE THE NEED FOR AND LOCATION AND ECONOMICS OF ALL NEW INVESTMENT AT THE TIME OF LICENSE APPLICATION. EXISTING FIRMS MAY APPEAL THE GRANTING OF NEW LICENSES WHICH ARE GRANTED AND ARE RENEWABLE ON AN ANNUAL BASIS. LICENSEES MAY BE GRANTED EXCLUSIVE RIGHTS IN CERTAIN AREAS FOR A LIMITED TIME IF THE GOVERNMENT FEELS IT NECESSARY TO INDUCE INVESTMENT.

THE GOVERNMENT OF MALAWI HAS DESCRIBED THE LOCAL ECONOMY AS A PATERNERSHIP BETWEEN THE PRIVATE AND PUBLIC SECTORS. PARASTATAL
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PAGE 02 BLANTY 01030 261352Z

INVESTMENT AND HOLDING COMPANIES HAVE BEEN EXTREMELY ACTIVE IN

INVESTMENT DURING THE ELEVEN YEARS OF MALAWI INDEPENDENCE IN SEEKING TO REALIZE THE TWIN GOALS OF DEVELOPMENT AND PROFIT. ESTABLISHMENT OF FOREIGN OWNED INDUSTRY IN MALAWI IS PARTICULARLY ENCOURAGED WHERE MALAWI PARASTATAL PARTICIPATION IS CONSIDERED. THE MAIN ELEMENT IN THE GOVERNMENT'S CONSIDERATION OF PROPOSED FOREIGN TAKEOVERS IS THAT THE TAKEOVER NOT RESULT IN A NET LOSS OF CAPITAL TO MALAWI.

TAXES ON COMPANIES ARE VIRTUALLY THE SAME WHETHER FOREIGN OR LOCALLY CONTROLLED. THE BASIC CORPORATE INCOME TAX RATE IS 40 PERCENT OF NET PROFIT, WITH AN ADDITIONAL 5 PERCENT ON PROFITS FOR COMPANIES NOT INCORPORATED IN MALAWI OR COMPANIES REPATRIATING PROFITS TO COUNTRIES WITH NO CORPORATE TAXES. REPATRIATION OF CAPITAL AND PROFITS RESULTING FROM FOREIGN INVESTMENT REQUIRES THE PRIOR APPROVAL OF THE MINISTRY OF FINANCE AND THE RESERVE BANK OF MALAWI BUT SUCH APPROVAL HAS NOT BEEN DENIED IN THE PAST. MALAWI AND THE UNITED STATES HAVE ENTERED INTO TREATY AGREEMENTS CONCERNING GUARANTEE OF INVESTMENT AND ELIMINATION OF DOUBLE-TAXATION. ALL OPIC PROGRAMS ARE POTENTIALLY OPERATIVE IN MALAWI AND TWO U.S. FIRMS CURRENTLY ENJOY OPIC POLITICAL COVERAGE.

AS OF JULY 1, 1975, MOST-FAVORED NATION TREATMENT HAS BEEN EXTENDED TO GOODS OF UNITED STATES ORIGIN ALONG WITH THOSE FROM EEC COUNTRIES, ACP COUNTRIES AS DEFINED IN THE LOME AGREEMENT, COMMONWEALTH MEMBER NATIONS AND ALL SIGNATORIES OF THE GATT. EXPORT RESTRICTIONS FROM MALAWI ARE VIRTUALLY NON-EXISTENT AND CONSIST SOLELY OF LICENSE REQUIREMENTS IN THE AREA OF AGRICULTURAL, CEMENT, BASE METAL, PETROLEUM AND GEM STONE PRODUCTS.

CURRENT GOVERNMENT INVESTMENT PRIORITIES REMAIN IN THE AGRICULTURAL AND INFRASTRUCTURE-BUILDING SECTORS. THE CURRENT THREE-YEAR ROLLING GOVERNMENT DEVELOPMENT PROGRAM IS TO CONSIST OF APPROXIMATELY \$196 MILLION OVER THE NEXT THREE YEARS OF WHICH \$152 MILLION IS TO COME FROM FOREIGN SOURCES. THE GOVERNMENT ENCOURAGES FURTHER INVESTMENT IN LABOR-INTENSIVE INDUSTRY WITH IMPORT-SUBSTITUTION CAPABILITIES AND HOLDS BOTH WAGES AND PRICES TO WHAT IT TERMS "REASONABLE" INCREASES THROUGH CERTAIN CONTROLS AND UNOFFICIAL GUIDELINES.

2. THE GOVERNMENT OF MALAWI DOES NOT KEEP STATISTICS OF FOREIGN INVESTMENT IN MALAWI OTHER THAN FOREIGN INVESTMENT IN NEW UNCLASSIFIED

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PAGE 03 BLANTY 01030 261352Z

ENTERPRISES. TOTAL INVESTMENT IN NEW INDUSTRY SINCE 1969 TOTALS OVER \$18.5 MILLION OF WHICH \$6.3 MILLION OR 34 PERCENT HAS COME FROM FOREIGN SOURCES. THE ONLY AVAILABLE GOVERNMENT ESTIMATE OF TOTAL FOREIGN INVESTMENT IS "HUNDREDS OF MILLIONS" AND OF U.S. INVESTMENT "LESS THAN \$10 MILLION" ABOUT EQUALLY DIVIDED BETWEEN THE PETROLEUM AND MANUFACTURING INDUSTRIES. STEVENSON

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